Atari Corporation

ANNUAL REPORT

1991

ATARI®

TO OUR SHAREHOLDERS:

After lengthy consideration, I decided to present this year's message to you in a direct, straight-forward way. I am quite displeased with the company's 1991 results, and hope that this message accurately coveys my dissatisfaction, and the corrective actions we have implemented.

Net sales were down from $411 million in 1990 to $258 million in 1991. This represents a thirty-seven percent decline. While the computer industry, as a whole, experienced a fall off, I do not believe it justified our poor performance or alleviated me of any blame. As Chief Executive Officer, it would be hypocritical of me to discuss sales or operational short comings in the third party. My desk is where the buck stops, and it is also the place where corrections and positive alternatives emanate. Please be assured that new directions are now in place.

At the outset of 1991, we recognized that major competitive market changes would negatively affect Atari's sales and profits for the year. In anticipation of these competitive actions, we began to reduce our costs. Measures were taken to carefully monitor worldwide inventories. As the year drew to a close, the results of our efforts had begun to appear.

Inventory was $81 million for 1991 versus $114 million a year earlier. The twenty-nine percent reduction of inventory is a step in the right direction, but we still plan to reduce inventory levels further.

In addition to these corrective measures, our advertising programs were refocused to target specific audiences and reduce costs associated with broad based promotions. Research and development projects were redefined as well and are now focused on high volume production.

Although our company is continuing to go through a difficult period, the past year was not totally bleak. There were a number of positive highlights. Combining an advantageous real estate market, our reduced 1991 production requirements, and our long range plans, we sold our Taiwanese manufacturing facility and realized a gain of $40.9 million. This transaction significantly strengthened our balance sheet. We improved our cash position, reduced debt and increased shareholders' equity. The usual start-up problems were encountered in our move to independent subcontractors, however, these problems, for the most part, are behind us.

As I noted in my message last year, we reduced the retail price of the Lynx to $99. As anticipated, unit sales increased over 1990 by 80 percent. This increase, together with the forty-two software titles now available, is positioning this product as a major contender in the portable category. For the upcoming Christmas market we will have about 75 titles. In a number of countries throughout Europe and in the U.S., we introduced new advertisements and T.V. commercials during the fourth quarter. These new consumer messages proved successful and will be carried forward in 1992. Our software development continues to be strong and we are licensing some major titles, such as "Batman Returns."™

(Continued on inside back cover.)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 1991

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ____________________

Commission File Number 1-9281

ATARI CORPORATION

(Registrant)

NEVADA	**77-0034553**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1196 Borregas Ave. **Sunnyvale, CA**	**94089**
(Address of principal executive offices)	(Zip Code)

Telephone: **(408) 745-2000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which both are registered
Common Stock (par value $.01)	American Stock Exchange
5¼% Convertible Subordinated Debentures	Pacific Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of its Common Stock on April 3, 1992 on the American Stock Exchange was $39,782,434. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded and such persons may under certain circumstances be deemed to be affiliates. This determination of officer or affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock (par value $.01) of Registrant outstanding at April 3, 1992 - 57,502,142 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held May 19, 1992 are incorporated by reference into Part III hereof.

PART I

Item 1. BUSINESS

General

Atari Corporation ("Atari" or the "Company") was incorporated under the laws of Nevada in May 1984. Atari designs, manufactures and markets personal computers and related personal computing products and video game systems. In July 1984, Atari acquired certain microcomputer and video game assets from the Atari, Inc. subsidiary of Warner Communications, Inc. ("WCI") (now Time Warner, Inc.), in exchange for, among other consideration, 14,200,000 shares of the Company's Common Stock. Time Warner, Inc. continues to hold approximately 25% of the Company's outstanding Common Stock.

The Company operates in one industry segment - the design, manufacture, sale and servicing of consumer electronic products.

Principal Products

The Company's principal products are its ST series of personal and business computer systems based on a proprietary operating system and related peripherals, a series of P.C. compatible computers based on the MS DOS(R) operating system, a series of 8-bit computers and a line of video game systems with related video game software.

Atari ST Series of Computers

The Atari ST Series of personal and business computers, based on the Company's TOS operating system, includes the STE, ST Book, Mega STE, TT and related peripherals.

STE

The STE series of computers uses the Motorola(R) 68000 microprocessor which simultaneously processes 32 bits of information internally and communicates over a 16-bit channel. The STE computers operate at an internal clock speed of 8 million cycles per second. The highest resolution in monochrome is 640 x 400 pixels, and in color, 640 x 200 pixels with a color palette of 4,096 colors. The STE is available in one-half megabyte and one megabyte RAM (random access memory) versions. To illustrate, the one megabyte memory of the 1040STE can hold over 250 pages of standard text.

ST BOOK

The Company recently commenced shipments of its new ST Book, a powerful new ST for the brief case, measuring 12½" x 9" x 1¼". The ST Book, introduced during 1991, has 1 megabyte of RAM, a 40 or 60 megabyte hard drive, 84/85 keys, a Vector Pad instead of a mouse, an LCD screen with 600 x 400 pixels, and is compatible with the ST series of computers. The complete unit weighs approximately two pounds.

MegaSTE

The MegaSTE series of computers also uses the Motorola 68000 microprocessor which simultaneously processes 32 bits of information internally and communicates over a 16-bit channel. The MegaSTE computer operates at an internal clock speed of 16 million cycles per second. The highest resolution in monochrome is 640 x 400 pixels, and in color, 640 x 200 pixels, with a color palette of 4,096 colors. The MegaSTE is sold in one, two, and four megabyte versions of internal RAM. In addition, the MegaSTE has a range of optional internal hard disk drives and a built-in LAN (Local Area Network) port.

TT

The TT series of computers use the Motorola 68030(R) microprocessor which simultaneously processes 32 bits of information internally and communicates over a 32-bit channel. The TT computers operate at an internal clock speed of 32 million cycles per second, placing them among the fastest standard 32/32-bit configuration microcomputers of which the Company is aware. Each computer comes with a minimum of two megabytes of internal RAM, and is expandable to 26 megabytes. The TT's highest resolution in monochrome is 1280 x 960 pixels. In the 320 by 480 pixels mode, a user may display 256 colors at any one time on the screen, out of a palette of 4,096 colors. In addition, the Company has commenced shipments of Unix(R) version V, Release 4.0, including X-windows for its TT030(R) series of computers.

Operating System

TOS (The Operating System) is built into ROM in each of the Company's 68000 line of computers. TOS gives the Atari computer user a state of the art graphical user interface with a pointing device (the mouse), drop-down menus, windows and icons. This intuitive, graphical way of presenting the computer allows a less intimidating and easier to learn environment for the computer user. In the versions of TOS included in the newest models of the ST computer line (MegaSTE and TT) new features have been added to TOS that allow for additional flexibility and enhanced ease of computer use. These features are available to owners of previous models as an upgrade.

MIDI

A unique feature of Atari computers is the inclusion of MIDI ports (Musical Instrument Digital Interface) directly on board the computer. This feature allows professional as well as amateur musicians to connect with electronic musical instruments, enabling them to record, edit, and arrange music in real time without the limitations of traditional tape media. The Company believes this technology combined with third party software applications, sold directly by developers, creates a superior solution when compared to other competitors' products currently in the marketplace.

Application Software

At December 1991, over 8,000 software titles were available worldwide for the ST series of computers. These titles include word processing, database, spreadsheet, networking, graphics, computer-aided design (CAD), electronic publishing and entertainment software.

Peripherals

The Company offers a range of peripherals to support the line of computers, including a range of monochrome, color and high resolution monitors, storage devices and laser printers. Together with any of the foregoing computers, the SLM605 laser printer provides an end user with a high quality desktop publishing system.

Sales of the Company's ST series of computers and peripherals represented approximately 53%, 59%, and 59% of net sales in 1991, 1990 and 1989, respectively.

Atari PC-Compatible Series

Atari Portfolio

The Atari Portfolio(R) is an MS DOS(R) command compatible palm top computer. This product, which has 128 kilobytes (k) of internal memory, is available with a number of accessories including serial and parallel interfaces, RAM cards, power adaptors and an innovative electronic card drive to allow a PC compatible to read Portfolio memory cards. The Portfolio weighs approximately one pound and approximates the size of a video cassette tape. It has a small keyboard and a liquid crystal display (LCD) and runs program cards on a low-power CMOS processor. This portable computer is capable of communication with a range of desktop personal computers including Atari ST computers, MS DOS and Apple MacIntosh computers.

ABC Series

The Company continues to ship PC compatible computers - the ABC386SX(R) and the ABC386DX(R) desk top computers. All the computers are based upon the 80386 microprocessor. All models come with the MS DOS operating system, MICROSOFT WINDOWS(R) and GW BASIC(R). In addition, the Company offers color and monochrome monitors as well as alternative harddrive configurations.

Sales of the Atari PC-compatible computer systems represents approximately 10%, 18%, and 17% of net sales in 1991, 1990 and 1989, respectively.

The Atari XE 8-bit Microcomputer Series

Atari's XE(TM) series computers are targeted for the price conscious markets. The 65XE™ and 130XE™ have 64k and 128k of internal RAM, and generally retail for less than $100 and $150, respectively. Both are supported by a variety of peripheral equipment and a variety of software titles including entertainment software. This computer line retains compatibility with the Company's previous generation 8-bit computer systems, i.e., the 400 and 800XL computers.

Video Game Systems

Portable

The Company offers a color portable hand-held video game system called Lynx. The Lynx provides 16-bit color graphics, stereo sound, fast action and depth of game play, and comes complete with a built-in 8-directional joypad and a 3¼ inch full color LCD offering up to 16 colors at one time

from a palette of over 4,000 colors. With the aid of the Comlynx cable, it is possible for up to 16 players to network in multi-player competition. The Lynx entertainment system generally retails between $99 - $129. Over forty different games are currently available. The Company will be releasing additional titles.

Table Top

The Company's table top video game offerings include the 2600VCS and the 7800 ProSystem(TM). Sales of these products have declined significantly in the United States as a result of intense competitive pressures, principally from Nintendo(R) product offerings. The Company's 2600 VCS generally retails for approximately $50. The Company will release additional titles for the 7800 ProSystem and 2600VCS in 1992.

The 7800 ProSystem is compatible with 2600 software and offers enhanced graphics for games designed to use the 7800 capabilities.

Sales of the Company's video game systems constituted approximately 34%, 21% and 18% of net sales in 1991, 1990 and 1989, respectively.

Marketing and Distribution

The Company distributes its products domestically through various independent channels. Its computer products are sold through independent computer specialty dealers, either directly or through distributors. Generally, these dealers also provide product support, offer peripheral equipment and software, and provide warranty and post-warranty repair services.

Video game systems are sold primarily through national retailers, department stores and mail order outlets. These products carry a substantially lower retail price and require less technical support than the ST series of computers and Portfolio.

International distribution is channeled directly through sales subsidiaries and through independent distributors in approximately 45 countries outside the United States. Primary international distribution is by direct sales in Australia, the Benelux countries, Canada, France, Germany, Italy, Scandinavia, Spain, Switzerland, and the United Kingdom. In other international markets, the Company distributes its products through approximately 20 independent national and regional distributors. These international markets are served through substantially the same channels as those in the United States market. Net sales outside North America for fiscal years 1991, 1990 and 1989 constituted approximately 86%, 89% and 82%, respectively, of total net sales.

Sales are subject, in varying degrees, to some seasonality which is characteristic of the consumer electronics market. This seasonality has historically been characterized by increased sales in the fourth quarter.

No single customer accounted for 10% or more of total net sales for the year ended December 31, 1991.

Backlog

The Company manufactures and purchases products according to its forecast of near-term demand, and not primarily to specific customer orders. Warehoused inventories of finished products are maintained in advance of receipt of orders. Orders are usually placed by purchasers on an as-needed basis, are cancellable before shipment, and are usually filled from inventory shortly after receipt. Accordingly, in line with industry practice, the backlog of orders at any time is generally not indicative of actual sales in any future period.

Research and Development

The Company's ability to compete depends, in large measure, on its ability to adapt to the rapid technological changes in the personal computer industry including hardware, applications and operating system software. In this regard, the Company is committed to an ongoing program of research and development. Most of the Company's products have been developed by its internal engineering group including such products as the TT, STE, ST Book and MegaSTE families. The Company also enters into agreements with outside firms to acquire or develop hardware and software technology, the development of Lynx and Portfolio being two such agreements. The Company continues to develop and enhance existing product lines, including the TT, STE and Lynx product ranges as well as developing new products based on the latest available technology. The Company's research and development expenditures totaled $15.3 million, $22.9 million and $24.6 million in 1991, 1990 and 1989, respectively.

In order to secure rights to new technologies and software, the Company is occasionally required to make advance royalty payments and provide minimum royalty guarantees. These advances and guarantees are necessary to compete in the open market for such technologies. However, there is no assurance that these advances and guarantees will be fully recovered through subsequent product sales.

Manufacturing

Until the second quarter of 1991, the Company's principal products were manufactured at the Company's 180,000 square foot facility in Tam Shiu, Taiwan. During the second quarter of 1991, the Company sold this facility and reported a gain of approximately $40.9 million. During the same quarter, the Company entered into various arrangements with independent subcontractors for the assembly of its principal products. During the transition to subcontracting, the Company experienced start-up problems. These problems continued through the fourth quarter of 1991 to lesser and lesser degrees as time passed.

The Company's intent is to have one or more manufacturing sites of its own in various geographic locations. Among other factors, the Company will evaluate its production requirements, cost structure and geographic location before any site is selected. The Company believes that it will have greater flexibility with its own manufacturing facility.

The Company has divided the assembly of its principal products among a number of different subcontractors. The Company believes, in the event production is interrupted, it can switch production over to another subcontractor. Although timing problems will occur which may have adverse effects

on the Company, the Company believes it has distributed the production of its principal products in such a manner to minimize the negative effects which could occur.

Other finished products and accessories are purchased directly from OEM vendors. To the extent that the Company encounters difficulties in connection with its OEM vendors, including added costs and potential delays, the Company's business and operations could be adversely affected.

Substantially all component parts and peripheral equipment required by the Company are acquired from multiple sources and have been readily available. Some components, particularly certain microprocessors and custom circuits used in the Company's principal computer products, as well as certain peripheral equipment, are available only from a limited number of suppliers. In addition, certain parts, such as DRAMs, may be subject to commodity market fluctuations in both price and availability. Although the Company believes that alternative sources of supply for such items can be developed if necessary, the resulting increase in cost and the disruption or termination of existing sources could have an adverse effect on the Company's operations and financial results.

Exports

Export information is contained in Note 10 of the Notes to Consolidated Financial Statements. Gross margins on sales of products internationally, and on sales of products that include components from foreign suppliers, may be adversely affected by foreign currency exchange rate fluctuations and by current and proposed international trade regulations, including tariffs and anti-dumping penalties.

Intangible Property Rights

The Company's most significant trademarks are its "Atari" name and "Fuji" logo, both of which were acquired from WCI for the Company's exclusive use in all areas other than coin-operated arcade video game use. The Company also acquired from WCI a portfolio of intellectual properties including patents, trademarks and copyrights in conjunction with its computer and video game businesses. The Company believes that the ownership of its patents, trademarks and other intellectual property to be important assets and it considers such rights to be important in the marketing of its products along with technological innovation and expertise, efficient production, and marketing strength.

The Company's rights to make, use and to sell certain computer and video game software are held through licenses from third parties. The most significant license grants the Company an exclusive right to the operating system and non-exclusive right to certain development tools developed by Digital Research, Inc. for the STE, ST Book, MegaSTE and TT series of computers. The operating system license is fully paid and includes the right to produce unlimited copies in perpetuity.

The Company has, from time to time, been notified of claims that it may be infringing patents owned by others. The Company assesses such claims on a case by case basis and seeks licenses under such patents where appropriate. Based upon industry practice, the Company believes that if it is found to have infringed such patents, it will be able to implement the necessary modifications to avoid infringement or obtain licenses on terms which will not have a material effect on its operations, although no assurance can be given that the terms of any offered license will be acceptable to the Company.

Employees

As of December 31, 1991, the Company had approximately 507 employees worldwide including 146 in engineering and product development, 190 in marketing, sales and distribution, 31 in manufacturing and production, and 140 in general administration and management.

None of the employees are represented by a labor union. The Company considers its employee relations to be good.

Many of the Company's employees are highly skilled. The Company's business depends, to a great extent, on its ability to attract and retain highly skilled employees. The Company competes for its employees with many other high technology companies, many of which have greater resources.

Competition

The personal computer industry is highly competitive and has been characterized by rapid technological advances in both hardware and software as well as constant introduction of new products offering more features at lower cost. The principal elements of competition among personal computer manufacturers are quality and reliability, availability of software, peripherals and accessories, ease of use, price/performance ratios, service and support, marketing and distribution capability, reputation and capacity to deliver in high volume.

The video game industry is highly competitive in both hardware and software. The software for the video game business is a very important aspect and certain game titles are very important, such as ones that have their origins in the coin operated industry or the entertainment industry. The Company licenses such titles from holders of these properties and has the title programmed for use on an Atari platform. The possibilities for licensing titles have become greater due to the fact that Nintendo®, as of January 1991, no longer requires exclusivity for titles. The Company has recently consummated contracts for major titles that will appear on Atari formats.

Although the Company's newer products have received favorable recognition, and the older products are well established, no assurance can be given that the Company will continue to successfully develop and introduce products which receive widespread commercial acceptance.

Over 100 United States and international manufacturers of computer products compete for sales and distribution channels, customers and software development resources. The Company's principal computer industry competitors are IBM®, Apple®, Commodore®, Tandy®, Amstrad®, Olivetti SPA® and many additional manufacturers of IBM® compatible computers. In the video game market, the Company's main competitors are Nintendo®, Sega® and Nippon Electric Corporation®. Several of these competitors have longer operating histories, greater financial and technical resources, broader product lines and larger market share than the Company. No assurance can be given that the Company will have the financial and other resources, nor maintain the technological knowledge and innovation necessary to continue successful competition in these markets.

Environmental Laws

To date, the Company's compliance with federal, state and local laws enacted for the protection of the environment have not had a material adverse effect upon the Company's operations or financial condition.

Item 2. PROPERTIES

During 1989, the Company purchased 12,000 square feet of office space and 21,000 square feet of warehouse space in Paris, France. The Company leases its 46,000 square foot headquarters facility and 86,000 square feet of warehousing space in Sunnyvale, California, and has a research and development and production engineering facilities in Carrollton, Texas. In addition, the Company has a sales office for its U.S. video game business in Chicago, Illinois. The Company leases office facilities in Taipei, Taiwan; Hong Kong; and Tokyo, Japan for international procurement. The Company leases international sales facilities in or near: Vienna, Austria; Sydney, Australia; Brussels, Belgium; Toronto, Canada; Slough, England; Milan, Italy; Amsterdam, the Netherlands; Oslo, Norway; Madrid, Spain; Stockholm, Sweden; Zurich and Lausanne, Switzerland and Frankfurt, Germany. The Company also leases space for research and development engineering in Chicago, Illinois, and Tel-Aviv, Israel. The Company has purchased a 92,000 square foot parcel of land near Frankfurt, Germany where an office and warehouse is being built for its German selling subsidiary. The Company believes that its properties are well maintained and in good operating condition.

The Company holds certain properties for sale and/or lease. These properties are reported as other assets in the accompanying consolidated financial statements. In 1991, the Company completed the sale of one of these properties originally acquired from WCI. The Company received approximately $2.2 million from the sale. Also in 1991 the Company sold its manufacturing facility in Taiwan for $60 million, resulting in a gain of $40.9 million.

All leases are with third parties otherwise unaffiliated with the Company.

Item 3. LEGAL PROCEEDINGS

The Company and three other parties are defendants in a civil action brought in the United States District Court for the Northern District of California by Light Impressions, Inc. and Stephen P. McGrew in September 1986 seeking declaratory relief and unspecified general and punitive damages for alleged interference with contract and activities in restraint of trade (an antitrust claim for which damages, if awarded, could be trebled) relating to holography patents rights sold by the Company in 1986. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition.

The Company is both a plaintiff and defendant in several civil litigations arising out of its acquisition of The Federated Group, Inc. The lawsuits in which the Company is a plaintiff seek damages for the Company for breach of contract and fraud. The Company is presently prosecuting and/or defending these actions and intends to continue to do so. The Company believes these actions will have no material adverse effect on the Company's consolidated financial position.

In 1989, the Company brought an action entitled *Atari Corporation v. Nintendo Company, et al.* in the Federal District Court for the Northern District of California (Case No. 89-0824 FMS). The defendants are Nintendo Company, Ltd., a Japanese company, and Nintendo of America, Inc., a Washington corporation and a wholly owned subsidiary of Nintendo Company, Ltd. (collectively, "Nintendo"). In its complaint, the Company alleges that Nintendo has illegally restrained and monopolized the markets for home video TV game consoles, video games and cartridges in violation of federal and California antitrust laws and California's unfair competition statute. On August 30, 1990, Atari filed an amended complaint to which Nintendo filed an answer denying liability and asserting

various defenses. No cross-complaints have been filed. The Company has sought injunctive relief, damages (which, if awarded, would be trebled under antitrust laws) and attorneys' fees and costs. Nintendo is vigorously defending the litigation. This action is being tried by a jury, and the trial is scheduled to end in late April 1992.

In May 1989, the Company was joined as a co-plaintiff in a patent infringement action against Nintendo entitled *Atari Games Corporation, Tengen, Inc. and Atari Corporation v. Nintendo of America, Inc.', et al.* (Case No. C88-4805 FMS) in the Federal District Court for the Northern District of California. In its complaint, Atari joined Atari Games Corporation, an unrelated company, alleging that Nintendo has infringed Atari's United States Patent Number 4,445,114 entitled "Apparatus for Scrolling a Video Display." Nintendo has filed an answer denying liability and asserting various defenses to the third amended complaint. No cross-complaint against the Company has been filed. The Company has sought injunctive relief, damages (which, if awarded, could be trebled under patent laws) and attorneys' fees and costs. Nintendo is vigorously defending this litigation and its motion for partial summary judgment seeking to invalidate the patent was denied.

In *Scott Campbell v. Atari Corporation* (Case No. 90-47265), Harris County, Texas, a former employee of The Federated Group, Inc. (Federated), brought a claim for infliction of emotional distress, false imprisonment, malicious persecution and related claims arising out of Federated's prosecution of a theft charge against him. Federated and several employees were also parties. On March 4, 1992, a jury awarded $2,245,000 in favor of the plaintiff. This case is being handled by the insurance companies and will have no material adverse effect on the Company's consolidated financial position.

On January 23, 1992, an involuntary petition was filed against the Federated Group, Inc. (Federated) under Title 11, United States Code requesting an order for the relief under Chapter 7 of the bankruptcy laws (Case No. 92-50412 JRG) in the United States Bankruptcy Court for the Northern District of California. Federated has objected to the petition. The Company believes this action will have no material adverse effect on the Company's consolidated financial position.

The Company is not aware of any other pending legal proceedings against the Company and its consolidated subsidiaries other than routine litigation incidental to their normal business.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock has publicly traded on the American Stock Exchange since November 7, 1986 and on the Pacific Stock Exchange since January 26, 1987 under the symbol ATC.

The following table sets forth the high and low sale prices for the Company's stock for the respective periods shown, as reported on the consolidated transaction system:

Calendar Period	High	Low
1990:		
1st Quarter	9 5/8	5 5/8
2nd Quarter	6 1/2	4 3/4
3rd Quarter	6 5/8	2 1/2
4th Quarter	2 3/4	1 3/4
1991:		
1st Quarter	3 3/8	1 5/8
2nd Quarter	3 1/4	2 1/2
3rd Quarter	2 5/8	1 3/4
4th Quarter	2	1 3/8

As of April 3, 1992, the Company had 2,262 shareholders of record of common stock. The Company has no other shares outstanding. The Company has not paid cash dividends on shares of its common stock since its inception and the Company currently intends to reinvest earnings in the business. Accordingly, it is anticipated that no cash dividends will be paid in the foreseeable future.

Item 6. SELECTED FINANCIAL DATA

The selected financial data has been derived from the Company's Consolidated Financial Statements. The information set forth below should be read in conjunction with the Company's Consolidated Financial Statements and related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations.

	December 31,				
	1991	1990	1989	1988	1987
	(In thousands, except per share data)				
Statement of operations data:					
Net sales	$257,992	$411,471	$423,606	$452,201	$362,608
Operating income (loss)	(18,683)	(25,220)	3,678	59,592	72,016
Income (loss) from continuing operations	23,659	(20,847)	4,017	39,403	49,409
Income (loss) before extraordinary credit	23,659	(6,213)	4,017	(84,818)	44,152
Net income (loss)	25,619	14,874	4,017	(84,818)	57,429
Per share data:					
Primary:					
Income (loss) from continuing operations	$ .41	$ (.36)	$ .07	$ .68	$ .85
Income (loss) before extraordinary credit	.41	(.11)	.07	(1.46)	.76
Net income (loss)	.44	.26	.07	(1.46)	.99
Fully diluted:					
Income (loss) from continuing operations	$ .41	$ (.36)	$ .07	$ .67	$ .83
Income (loss) before extraordinary credit	.41	(.11)	.07	(1.31)	.74
Net income (loss)	.44	.26	.07	(1.31)	.96

	December 31,				
	1991	1990	1989	1988	1987
Balance sheet data:					
Working capital	$159,831	$131,901	$139,562	$143,955	$188,499
Total assets	253,486	272,638	332,976	318,645	385,902
Long-term obligations (including current portion)	48,805	49,016	77,402	75,000	75,000
Shareholders' equity	125,529	101,260	85,999	83,231	167,655

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1991

Net sales in 1991 were $258.0 million, a 37% decrease from $411.5 in 1990. The sales decrease resulted from decreased unit volume for a number of products, notably computers, and reductions in the average selling prices for the STE, MegaSTE, Portfolio and PC compatible products in order to meet competitive pricing pressures.

Some products experienced sales increases -- notably the Atari TT030 series of computers, based on the Motorola 68030(R) microprocessor and the Atari Lynx, the portable hand-held color video game system. At the beginning of 1991, the Company reduced the suggested retail price of Lynx and released new software titles which resulted in increased sales of approximately 50% over 1990.

Sales mix for 1991 was 66% computers and 34% video games as compared to 79% computers and 21% videogames in 1990.

Gross margins for 1991 were 27% compared to 22% in 1990. The Company periodically writes down inventories to realizable values. Such writedowns were 4% of sales in 1991 and 8% of sales in 1990.

In 1991, the Company instituted a cost control program recognizing that sales would be lower than in 1990. Total research and development, marketing and distribution and general and administrative expenses were $87.1 million in 1991, which was $29.8 million or 25.5% lower than 1990.

Research and development expenses decreased $7.6 million to $15.3 million compared to $22.9 million in 1990, a 33% decrease. During 1991, the Company consolidated its efforts into fewer projects and, as a result, reduced overall research and development expenses. The Company believes that its continuing research and development efforts will result in new products in the fall of 1992 for its 1993 product line.

Marketing and distribution expenses were reduced by $23.8 million to $48.2 million in 1991 as compared to $72.0 million for 1990, a 33% decrease. The Company limited its advertising expenses and promotional activities during the year to coincide with its decreased sales, and, in addition, reduced headcount as well as operating costs in each of its selling subsidiaries.

General and administrative expenses were $23.5 million in 1991 versus $22.0 million for 1990. Although certain expenses in 1991 were reduced, the Company is engaged in a major legal proceeding with one of its competitors in the video game market. In preparation for the trial which commenced in February 1992, the Company incurred higher legal expenses.

In an effort to improve its operating efficiency, the Company sold its Taiwan manufacturing facility in June 1991. The Company received $60 million for the land and building and, after deducting transfer taxes and expenses relating to the closure of the facility, realized a gain of $40.9 million.

Other income for 1991 was $1.7 million as compared to $9.9 million for 1990. The Company derives most of its sales from Europe and, as a result, is subject to exchange gains and losses. For 1991, the exchange gain was $1.4 million as compared to $9.9 million for 1990. In addition, in 1991, the Company had gains from other investments, including its Irish facility of $1.8 million. These gains were offset by costs associated with the reorganization of its Japanese operations.

Interest income for 1991 was $4.0 million as compared to $2.5 million for 1990. This increase resulted from higher cash balances as a result of the sale of the Taiwanese facility in June 1991.

Interest expense for 1991 was $4.3 million as compared to $6.6 million for 1990. This reduction is mainly due to the retirement of the Company's 5¼% convertible subordinated debentures in 1990 and 1991 and the retirement of debt associated with the Taiwanese facility for part of the year.

The Company had a small income tax credit in 1991 which resulted from the utilization of foreign tax loss carryforwards. The gain on the sale of the Taiwanese facility was not subject to income tax under Taiwanese tax provisions. Excluding this gain, the Company had an operating loss and is in a tax loss carryforward position at December 31, 1991.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 96. The Company has not set a date for adoption of recently-issued SFAS No.109, which must be adopted no later than 1993; however, adoption of SFAS No. 109 is not expected to have any material impact.

In the first quarter of 1991, the Company purchased a portion of its 5¼% subordinated debentures and realized an extraordinary credit of $2 million.

For the reasons stated above, the Company had a net profit of $25.6 million for 1991 as compared to $14.9 million for 1990.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1990

The Company experienced a 3% decline in net sales from $423.6 million in 1989 to $411.5 million in 1990. Sales of the ST, STE, and Mega™ range of products constituted the majority of net sales but remained relatively unchanged compared to 1989. New products, particularly the TT series, Portfolio and Lynx, each of which were shipped in commercial volume during 1990, constituted approximately 16.4% of net sales for 1990 compared to less than 10% for 1989. This sales growth was offset by a corresponding decrease in sales of XE computer and traditional video game products, especially in the U.S. market. The effects of exchange rate changes resulted in increased dollar values of international sales compared to last year. This increase offset the erosion of average selling prices resulting from continuing competitive pressure.

Gross margins as a percentage of net sales declined from 27% in 1989 to 22% in 1990, principally due to a higher level of inventory write downs in 1990, and, to a lesser extent, to a change in product mix from higher margin traditional video game products to lower margin computer products. During 1990, the Company continued to experience increased competitive pressure on its traditional video game products, especially the NTSC versions sold in the United States. Accordingly, inventories of those products and related components were substantially written down to reflect estimated realizable value.

Research and development expense decreased by $1.7 million (7%) in 1990 compared to 1989. On-going development efforts continued in the development of new products across both personal computer and game areas of the consumer product market. These efforts included ST Notebook, ST Pad, and additional software to support the Company's product offerings.

Marketing and distribution expenses increased $5.6 million (8%) in 1990 compared to 1989 principally due to the effects of changes in exchange rates during 1990 compared to 1989.

General and administrative expenses were $22.0 million in 1990 compared to $19.5 million in 1989, an increase of $2.5 million or 13%. The increase is attributable mainly to the higher dollar costs of general and administrative expenses incurred in overseas subsidiaries, which were affected by the change in exchange rates between 1990 and 1989.

In 1990, other income of $9.9 million was principally exchange gains, whereas in 1989 other income of $1 million was net of exchange losses of $2.3 million.

Interest income decreased by $1.6 million to $2.5 million in 1990, reflecting lower cash deposits resulting mainly from $6.9 million expended on the repurchase of debentures during 1990.

Interest expense in 1990 increased slightly by $0.3 million to $6.6 million, principally as a result of borrowings at higher interest rates for much of 1990. The increase in interest expense was partially offset by the Company's repurchase of a portion of its 5¼% convertible subordinated debentures during the second half of the year.

The provision for income taxes in 1990 was $1.5 million, compared to a tax credit of $1.5 million in 1989.

During 1990, the Company incurred a loss from continuing operations of $20.8 million compared to income of $4.0 million in 1989. In addition to the factors noted above, the Company's results were adversely impacted by general recessionary conditions and a decline in discretionary consumer spending. The Company continues to experience intense competition and pricing pressure across its product lines and remains subject to a continued weakness in sales to Europe, its principal geographic market, as well as to the effect of exchange rate fluctuations.

During 1990, the Company substantially completed its disposition of the remaining assets and liabilities of its discontinued operations. As a result, the Company realized a gain of $14.6 million, consisting of the adjustment of excess reserves from the discontinued operations. During fiscal 1990, the Company repurchased $28.9 million in face amount of its 5¼% convertible subordinated debentures, which resulted in an extraordinary credit of $21.1 million. These transactions had no tax effect due to the utilization of loss carryforwards.

For the reasons stated above, net income for the year 1990 was $14.9 million as compared to net income of $4 million in 1989.

INTERNATIONAL SALES

Net sales outside North America for 1991, 1990 and 1989 were $222.1 million, $365.2 million and $346.8 million (86%, 89% and 82% of net sales), respectively. For additional operations information by geographic region, see Note 10 of the Notes to Consolidated Financial Statements. The Company's international operations were subject to risks of fluctuation of values of the U.S. dollar and foreign currencies. For information concerning the effect of foreign currency transactions on the Company's results of operations through December 31, 1991, see Note 1 of the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

During 1991, cash balances increased by $32.8 million to $69.7 million at year-end.

Investing activities generated $46.5 million in 1991, principally from the sale of the Taiwanese and Irish facilities which generated cash of $48.4 million. Property additions included approximately $2 million in tooling.

Financing activities consumed $15.5 million in 1991. Borrowings of $26.8 million were repaid when the Taiwanese facility was sold. Borrowings during 1991 included and short-term borrowings of $12.5 million at year-end which were made to take advantage of favorable interest rate spreads between Europe and the U.S.

During 1991, the Company reduced inventories by $33 million and reduced associated accounts payable by $25 million. In an effort to improve inventory turns and liquidity, the Company is continuing to reduce overall inventory levels.

The Company generated $4.3 million from operating activities as a result of improved utilization of operating assets and liabilities of $14.7 million of cash offset by a cash loss from operations (after adjusting for unusual gains and noncash charges) of $10.4 million.

In addition, the Company repaid a portion of debt related to its French facility and acquired a portion of its 5¼% subordinated debentures for a total of $1 million.

The Company is currently constructing an office and warehouse facility in Germany for its subsidiary. Total construction costs of approximately 15 million Deutsche Marks (approximately $9.9 million) will be financed. At December 31, 1991, the Company had borrowed $2.2 million.

The Company believes that existing cash balances and funds anticipated to be generated from operations will be sufficient to meet its cash requirements through 1992. However, the seasonal nature of the Company's operations requires greater availability of finance facilities in the second and third quarters of the year in order to fund peak working capital requirements.

To the extent necessary, the Company intends to seek bank or institutional credit lines for use in connection with future working capital and capital asset development needs. No negotiations have commenced with prospective lenders as yet, and no assurance can be given that any such credit lines can be established on terms acceptable to the Company.

ITEMS 8 AND 14(a)
ATARI CORPORATION AND SUBSIDIARIES
Index to Consolidated Financial Statements
and Financial Statement Schedules

All other schedules are omitted because they are not required or the required information is shown in the financial statements or the notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
of Atari Corporation:

We have audited the accompanying consolidated balance sheets of Atari Corporation and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1991. Our audits also included the financial statement schedules listed in the Index at Items 8 and 14(a). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Atari Corporation and subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte + Touche

DELOITTE & TOUCHE

San Jose, California
April 3, 1992

ATARI CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1991 AND 1990
(Amounts in Thousands, Except Share Amounts)

ASSETS	1991	1990
CURRENT ASSETS:		
Cash and equivalents (including $22,674 and $2,892 held as restricted balances in 1991 and 1990 - Note 5)	$ 69,717	$ 36,919
Trade receivables (less allowances for returns and doubtful accounts: 1991, $6,602; 1990, $9,738)	80,594	95,844
Inventories (Note 3)	81,326	114,331
Prepaid expenses	6,307	5,817
Other current tax assets	1,352	1,352
Total current assets	239,296	254,263
PROPERTY - net (Note 4)	9,674	13,639
OTHER ASSETS	4,516	4,736
TOTAL	$253,486	$272,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable (Note 5)	$ 12,500	$ 28,231
Accounts payable	49,015	74,252
Income taxes payable	774	427
Accrued liabilities (Note 7)	17,176	19,452
Total current liabilities	79,465	122,362
LONG-TERM OBLIGATIONS (Note 5)	48,492	49,016
COMMITMENTS (Note 6) AND CONTINGENT LIABILITIES (Note 11)		
SHAREHOLDERS' EQUITY (Note 9):		
Preferred stock, $.01 par value - authorized, 10,000,000 shares; none outstanding	-	-
Common stock, $.01 par value - authorized, 100,000,000 shares; outstanding: 1991, 57,584,342 shares; 1990, 57,743,042 shares	576	577
Additional paid-in capital	143,116	143,529
Notes receivable from sale of common stock	(199)	(614)
Accumulated deficit	(15,435)	(41,054)
Accumulated translation adjustments	(2,529)	(1,178)
Total shareholders' equity	125,529	101,260
TOTAL	$253,486	$272,638

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989
(Amounts in Thousands, Except Per Share Amounts)

	1991	1990	1989
NET SALES	$ 257,992	$411,471	$423,606
COST AND EXPENSES:			
Cost of sales	189,598	319,791	309,419
Research and development	15,333	22,875	24,613
Marketing and distribution	48,249	72,048	66,423
General and administrative	23,495	21,977	19,473
Total operating expenses	276,675	436,691	419,928
OPERATING INCOME (LOSS)	(18,683)	(25,220)	3,678
Gain on sale of Taiwan manufacturing facility	40,920	-	-
Other income (expense) - net	1,655	9,893	971
Interest income	3,986	2,511	4,107
Interest expense	(4,273)	(6,562)	(6,287)
Income (loss) before income taxes	23,605	(19,378)	2,469
Provision (credit) for income taxes (Note 8)	(54)	1,469	(1,548)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CREDIT	23,659	(20,847)	4,017
Discontinued operations (Note 2)	-	14,634	-
INCOME (LOSS) BEFORE EXTRAORDINARY CREDIT	23,659	(6,213)	4,017
Extraordinary credit - gain on extinguishment of 5¼% convertible subordinated debentures, no tax effect due to utilization of loss carryforwards (Note 5)	1,960	21,087	-
NET INCOME	$ 25,619	$ 14,874	$ 4,017
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:			
Primary:			
Income (loss) from continuing operations	$ .41	$ (.36)	$ .07
Income (loss) before extraordinary credit	$ .41	$ (.11)	$ .07
Net income	$ .44	$ .26	$ .07
Fully diluted:			
Income (loss) from continuing operations	$ .41	$ (.36)	$ .07
Income (loss) before extraordinary credit	$ .41	$ (.11)	$ .07
Net income	$ .44	$ .26	$ .07
Number of shares used in computations:			
Primary	57,691	57,739	58,079
Fully diluted	57,691	57,739	58,142

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989
(Amounts in Thousands)

	Common Stock		Additional Paid-in Capital	Notes Receivable from Sale of Common Stock	Accumulated Deficit	Accumulated Translation Adjustments	Total
	Shares	Amount					
BALANCES, JANUARY 1, 1989	57,739	$ 577	$142,658	$(1,141)	$(59,945)	$1,082	$ 83,231
Stock options exercised	110	1	734				735
Common stock repurchased	(151)	(1)	(166)				(167)
Payments on notes receivable				314			314
Translation adjustments						(2,131)	(2,131)
Net income					4,017		4,017
BALANCES, DECEMBER 31, 1989	57,698	577	143,226	(827)	(55,928)	(1,049)	85,999
Stock options exercised	50		308				308
Common stock repurchased	(5)		(5)				(5)
Payments on notes receivable				213			213
Translation adjustments						(129)	(129)
Net income					14,874		14,874
BALANCES, DECEMBER 31, 1990	57,743	577	143,529	(614)	(41,054)	(1,178)	101,260
Stock options exercised	1		7				7
Common stock repurchased	(160)	(1)	(420)				(421)
Payments on notes receivable				415			415
Translation adjustments						(1,351)	(1,351)
Net income					25,619		25,619
BALANCES, DECEMBER 31, 1991	57,584	$ 576	$143,116	$ (199)	$(15,435)	$(2,529)	$125,529

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989
(Amounts in Thousands)

	1991	1990	1989
OPERATING ACTIVITIES:			
Net cash provided (used) by continuing operations	$ 4,250	$ 2,374	$ (5,897)
Net cash provided (used) by discontinued operations	-	2,766	(35,533)
Net cash provided (used) by operating activities	4,250	5,140	(41,430)
INVESTING ACTIVITIES:			
Other assets	227	1,334	(4,108)
Property purchases	(2,053)	(4,039)	(5,552)
Sale of property	48,362	130	305
Net cash provided (used) by investing activities	46,536	(2,575)	(9,355)
FINANCING ACTIVITIES:			
5¼% convertible subordinated debentures extinguished	(458)	(6,890)	-
Additions to borrowings	113	148	-
Short-term borrowings (repayments) - net (includes repayment of borrowings in Taiwan of $26,764 in 1991)	(15,126)	(7,620)	15,871
Issuance of common stock - net	1	516	882
Net cash provided (used) by financing activities	(15,470)	(13,846)	16,753
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(2,518)	(6,712)	(2,946)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	32,798	(17,993)	(36,978)
CASH AND EQUIVALENTS:			
Beginning of year	36,919	54,912	91,890
End of year	$69,717	$36,919	$54,912
OTHER CASH FLOW INFORMATION (FROM CONTINUING OPERATIONS):			
Interest paid	$ 4,395	$ 7,792	$ 6,167
Income taxes paid (refunded)	$ (401)	$ (7,561)	$ 9,520
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of debt in exchange for land and building	$ 1,721	$ -	$ 2,402

(Continued on next page)

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989
(Amounts in Thousands)

	1991	1990	1989
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY CONTINUING OPERATIONS:			
Net income	$ 25,619	$14,874	$ 4,017
Gain from sale of manufacturing facility	(40,920)	-	-
Discontinued operations	-	(14,634)	-
Gain from extinguishment of 5¼% convertible subordinated debentures	(1,960)	(21,087)	-
Depreciation and amortization	2,517	4,739	2,483
Provision for doubtful accounts	2,366	1,999	1,083
Provision for sales returns and allowances	3,699	3,447	4,797
Changes in operating assets and liabilities:			
Trade receivables	6,910	9,159	(8,393)
Inventories	33,005	15,550	(10,429)
Prepaid expenses and other assets	(547)	3,206	(1,185)
Other current tax assets	-	8,970	-
Accounts payable	(24,932)	(13,534)	31,351
Income taxes payable	280	256	(10,028)
Accrued liabilities	(1,787)	(10,571)	(19,593)
Net cash provided (used) by continuing operations	$ 4,250	$ 2,374	$ (5,897)

See notes to consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - The Company designs, manufactures, sells and services personal computers, video games and related software and peripheral products. The principal methods of distribution are through computer specialty dealers and mass market retailers.

Principles of Consolidation - The consolidated financial statements include the company and its subsidiaries. All transactions and balances between the companies are eliminated.

Cash and Equivalents - Cash equivalents are stated at cost, which approximates market value, have maturities not exceeding ninety days upon acquisition and generally consist of certificates of deposit, time deposits, treasury notes and commercial paper.

Inventories - Inventories are stated at the lower of cost or market. Cost is computed using standard costs which approximate cost on a first-in, first-out basis.

Property - Property is stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives of the assets of 1 to 30 years. Leasehold improvements are amortized over the estimated useful life or lease term, as appropriate.

Revenue Recognition - Sales are recognized upon shipment.

Income Taxes - The Company has adopted Statement of Financial Accounting Standards No. 96 (SFAS 96) "Accounting for Income Taxes." SFAS 96 requires an asset and liability method for financial accounting and reporting of income taxes.

Foreign Currency Translation - Assets and liabilities of operations outside the United States, except for operations that are highly integrated with operations of the Company are translated into United States dollars using current exchange rates, and the effects of foreign currency translation adjustments are deferred and included as a component of shareholders' equity. For operations that are highly integrated, foreign currency translation adjustments are included in operations. Exchange and translation gains (losses) included in other income (expense) for the years 1991, 1990, and 1989 were $1,375,000, $9,852,000 and $(2,278,000), respectively.

Earnings (Loss) per Common and Common Equivalent Share - Per share amounts are computed based on the weighted average number of common and, when dilutive, common equivalent shares (stock options) outstanding during each period.

Fully diluted earnings (loss) per share includes, when dilutive, the effect of the conversion of the 5¼% convertible subordinated debentures for the period they were outstanding and the additional dilutive effect of stock options. Conversion of the 5¼% convertible subordinated debentures was antidilutive in 1991, 1990 and 1989.

Fiscal Year - The Company has a 52/53 week fiscal year which ends on the Saturday closest to December 31. Fiscal years 1991, 1990 and 1989 all have 52 weeks. For simplicity of presentation, the date December 31 is used to represent the fiscal year end.

2. DISCONTINUED OPERATIONS

In 1988, the Company decided to discontinue its consumer electronics and home entertainment products operation, which was acquired in 1987, and provided a reserve for discontinued operations. In 1990, disposition of this operation was substantially completed and, as a result, $14.6 million (no tax effect due to utilization of loss carryforwards) of the previously estimated loss was determined not to be required and was reported as a credit in "discontinued operations."

Net sales of the discontinued operation for 1991 and 1990 were nil and for 1989 were $111.4 million. Net losses for 1989 were $37.4 million and were charged to the reserve for discontinued operations established in 1988.

Remaining net assets of discontinued operations are included in other assets in the consolidated balance sheet, and were $1,072,000 in 1991 and $225,000 in 1990.

3. INVENTORIES

Inventories at December 31 consist of the following (in thousands):

	1991	1990
Finished goods	$ 67,114	$ 83,435
Raw materials and work-in-process	14,212	30,896
Total	$ 81,326	$114,331

4. PROPERTY

Property at December 31 consists of the following (in thousands):

	1991	1990
Land	$2,695	$ 5,504
Buildings	3,222	3,964
Machinery and equipment	9,169	12,307
Furniture and fixtures	2,346	2,922
Leasehold improvements	1,689	1,754
Total	19,121	26,451
Accumulated depreciation and amortization	(9,447)	(12,812)
Property - net	$9,674	$ 13,639

5. DEBT OBLIGATIONS

At December 31, 1991, the Company was obligated for $12.5 million of short-term borrowings payable to a bank under a borrowing facility of a subsidiary, bearing interest at 4.9%. In addition, the Company is obligated under outstanding letters of credit of $7.9 million at December 31, 1991. Both the borrowings and letters of credit were collateralized by $22.6 million of cash on deposit.

The Company has $43.7 million of 5¼% convertible subordinated debentures due April 29, 2002. The debentures may be redeemed at the Company's option, upon payment of a premium. The debentures, at the option of the holders, are convertible into common stock at $16.31 per share. At December 31, 1991, 2,676,107 shares of common stock were reserved for conversion. Default with respect to other indebtedness of Atari Corporation in an aggregate amount exceeding $5 million would result in an event of default whereby the outstanding debentures would be due and payable immediately.

The Company reacquired in the open market and extinguished $2.5 million and $28.9 million face value of these debentures for $0.5 million and $6.9 million, net of purchased interest, in 1991 and 1990, respectively. The extinguishment resulted in an extraordinary credit of $1.9 million ($.03 per share) in 1991 and $21.1 million ($.37 per share) in 1990. These gains are net of deferred issuance costs and have no tax effect due to the utilization of loss carryforwards.

At December 31, 1991, the Company has a secured term loan outstanding of $2.2 million for the construction of facilities in Germany. Monthly payments on the loan begin in July 1992. The loan bears interest at 9.16% and is due through 2001. The loan is secured by the related building.

In addition, at December 31, 1991, the Company has a term loan outstanding of $2.6 million for the purchase of land and building in France. The loan is due in 52 quarterly installments through 2004. Approximately half of the amount bears interest at a fixed rate of 9.6%, the remainder bears interest at the French prime rate (11.2% at December 31, 1991) plus 1.2%. The loan is secured by the related land and building.

At December 31, 1991, an aggregate of $9.6 million in multicurrency bank credit arrangements was available to the Company and its subsidiaries with various interest rates and security arrangements. Borrowings under these arrangements will require further collateral.

6. COMMITMENTS

The Company leases various facilities and equipment under noncancellable operating lease arrangements. The major facilities leases are for terms ranging from one to seven years and are accounted for as operating leases. These leases generally provide renewal options of five additional years. Minimum future lease payments under all noncancelable operating leases as of December 31, 1991 are as follows (in thousands):

1992	$ 3,557
1993	2,843
1994	2,242
1995	1,894
1996	964
Later years	1,141
Total minimum lease payments	$ 12,641

Rent expense for all operating leases was $3,571,000, $3,935,000 and $3,149,000 for the years 1991, 1990 and 1989, respectively.

7. ACCRUED LIABILITIES

Accrued liabilities at December 31 consist of the following (in thousands):

	1991	1990
Accrued royalties	$ 5,263	$ 4,337
Other	11,913	15,115
Total	$17,176	$19,452

8. INCOME TAXES

The provision (credit) for income taxes consists of (in thousands):

	1991	1990	1989
Current:			
Federal	$ -	$ -	$ -
Foreign	(54)	1,469	(1,548)
State	-	-	-
Total current	(54)	1,469	1,548)
Total deferred	-	-	-
Provision (credit) for income taxes	$ (54)	$1,469	$ (1,548)

The current portion of the provision (credit) for foreign income taxes are net of benefits from loss carryforwards of $912,000, $500,000 and $2,823,000 in 1991, 1990 and 1989, respectively. Income (loss) before income taxes for the years 1991, 1990 and 1989 include income of $28,942,000, $4,843,000, $313,000, respectively, from the Company's foreign subsidiaries. Earnings of subsidiaries of $82,100,000 are considered indefinitely invested and, consequently, no provision has been made for the U.S. tax that would be due if these earnings were remitted to the U.S.

At December 31, 1991, the Company has an operating loss carryforward of approximately $46 million for financial reporting purposes. For tax purposes, the Company has a U.S. income tax net operating loss carryforward of $35 million which will expire in 2006, a foreign tax credit carryforward of $4 million which expires through 1994 (and for which the Company has recorded a $1.3 million carryback benefit), and a California income tax loss carryforward of $7 million which can be utilized from 1993 to 2007.

The effective income tax rates for 1991, 1990 and 1989 were 0%, 8% and (63)%, respectively, and differ from the federal statutory rate of 34% as follows (in thousands):

	1991	1990	1989
Computed at federal statutory rates	$ 8,026	$(6,589)	$ 840
Foreign income not subject to income tax	(15,899)	-	-
Effect of losses providing no tax benefit	8,011	9,585	1,963
Tax benefit of foreign loss carryforwards	(912)	(500)	(2,823)
Effect of foreign tax rates different than statutory rates and utilization of foreign loss carrybacks	394	(741)	(795)
Effect of discontinued operations	-	-	(733)
Other	326	(286)	-
Provision (credit) for income taxes	$ (54)	$ 1,469	$ (1,548)

The Company has not set a date for adoption of recently-issued SFAS No. 109, which must be adopted no later than 1993; however, adoption of SFAS No. 109 is not expected to have any material impact.

9. SHAREHOLDERS EQUITY

Common Stock - The Company's stock option plan and restricted stock plan provide for the issuance of up to 3,000,000 shares of common stock through the issuance of incentive stock options to employees and non-qualified stock options and restricted stock to employees, directors and consultants. Under the plans, stock options or restricted stock may be granted at not less than fair market value as determined by the Board of Directors. Stock options become exercisable as established by the Board (generally ratably over five years) and expire up to ten years from date of grant. The Company's right to repurchase restricted stock lapses over a maximum period of five years. At December 31, 1991 options for approximately 420,348 shares were exercisable and options for 770,585 shares were available for future grant. At December 31, 1991, no restricted stock under the restricted stock plan had been issued.

At December 31, 1991 the Company had reserved 5,428,331 shares of common stock for issuance under the stock plans and for conversion of the 5¼% debentures.

Additional information with respect to the stock option plan are as follows:

	Number of Options	Option Price Range Per Share Low High	Total
Outstanding, January 1, 1989	1,873,449	$1.00 - $13.06	$12,397,668
Granted	682,900	5.13 - 14.00	4,582,600
Exercised	(109,546)	1.00 - 8.63	(734,943)
Cancelled	(559,602)	5.50 - 12.00	(4,083,997)
Outstanding, December 31, 1989	1,887,201	1.00 - 14.00	12,161,328
Granted	1,102,000	1.88 - 9.63	5,628,250
Exercised	(50,207)	1.00 - 7.75	(308,402)
Cancelled	(641,043)	2.50 - 13.00	(3,962,675)
Outstanding, December 31, 1990	2,297,951	1.00 - 14.00	13,518,501
Granted	1,196,900	2.00 - 3.00	3,319,450
Exercised	(1,200)	3.00	(3,600)
Cancelled	(1,512,043)	1.00 - 14.00	(9,213,451)
Outstanding, December 31, 1991	1,981,608	$1.88 - $13.00	$ 7,620,900

10. SEGMENT INFORMATION

The Company operates in one industry segment - the design, manufacture, sale and servicing of consumer electronic products.

The Company's foreign operations consist of procurement facilities in the Far East and distribution facilities in Europe, Australia, and North America. Transfers between geographic areas are accounted for at amounts generally above cost and in accordance with the rules and regulations of the respective governing tax authorities. Corporate assets are cash and equivalents.

The following tables present a summary of operations by geographic region.

	1991	1990	1989
Revenues from unaffiliated customers:			
North America	$ 35,843	$ 46,291	$ 76,773
Export sales from North America	5,720	10,523	16,704
Europe	209,504	341,670	307,381
Other	6,925	12,987	22,748
Total	$257,992	$ 411,471	$ 423,606
Transfer from geographic areas (eliminated in consolidation):			
North America	$256,958	$501,552	$432,915
Europe	20,334	38,237	42,214
Other	105,556	247,834	295,527
Total	$ 382,849	$ 787,623	$ 770,656
Operating income (loss):			
North America	$ (8,567)	$(33,754)	$ (1,618)
Europe	(7,841)	7,011	(2,194)
Other	(2,275)	1,523	7,490
Total	$(18,683)	$ (25,220)	$ 3,678
Identifiable assets at December 31:			
North America	$ 42,772	$ 53,442	$ 55,973
Europe	116,774	134,857	139,616
Other	24,223	47,420	72,475
Corporate assets	69,717	36,919	54,912
Total	$253,486	$ 272,638	$ 322,976

11. CONTINGENT LIABILITIES

Certain claims and suits arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters have been adequately provided for, are without merit, or are such that if settled unfavorably would not have a material adverse effect on the Company's consolidated financial position.

The Company is both a plaintiff and defendant in several lawsuits arising out of its acquisition of operations which were subsequently discontinued. The Company is presently prosecuting and or defending these actions and intends to continue to do so. The Company believes these actions will not have a material adverse effect on the Company's consolidated financial position.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1991 and 1990 are as follows (in thousands except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
YEAR ENDED DECEMBER 31, 1991				
Net sales	$ 63,444	$ 49,210	$ 49,240	$ 96,098
Gross margin	21,654	14,625	14,268	17,847
Income (loss) from continuing operations	(3,947)	30,395	1,634	(4,423)
Income (loss) before extraordinary credit	(3,947)	30,395	1,634	(4,423)
Net income (loss)	(1,987)	30,395	1,634	(4,423)
Earnings (loss) per common and common equivalent share:				
Primary:				
Income (loss) from continuing operations	(.07)	.53	.03	(.08)
Income (loss) before extraordinary credit *	(.07)	.53	.03	(.08)
Net income (loss)	(.03)	.53	.03	(.08)
Fully diluted:				
Income (loss) from continuing operations	(.07)	.51	.03	(.08)
Income (loss) before extraordinary credit *	(.07)	.51	.03	(.08)
Net income (loss)	(.03)	.51	.03	(.08)
YEAR ENDED DECEMBER 31, 1990				
Net sales	$ 85,547	$ 84,895	$ 89,146	$151,883
Gross margin	25,942	27,923	20,035	17,780
Income (loss) from continuing operations	1,548	1,525	(3,855)	(20,065)
Income (loss) before extraordinary credit	1,548	1,525	(3,855)	(5,431)
Net income	1,548	1,525	3,003	8,798
Earnings (loss) per common and common equivalent share:				
Primary:				
Income (loss) from continuing operations	.03	.03	(.07)	(.35)
Income (loss) before extraordinary credit *	.03	.03	(.07)	(.09)
Net income	.03	.03	.05	.15
Fully diluted:				
Income (loss) from continuing operations	.03	.03	(.07)	(.35)
Income (loss) before extraordinary credit *	.03	.03	(.07)	(.09)
Net income	.03	.03	.05	.15

* The sum of per share amounts for the four quarters does not equal the annual amount as reported on the consolidated statements of operations due to rounding.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1992 annual meeting of shareholders.

Item 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1992 annual meeting of shareholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1992 annual meeting of shareholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1992 annual meeting of shareholders.

Trademarks Used in This 10-K

ATARI, the Fuji symbol, ST, STE, MEGA, MegaSTE, 520STE, 1040ST, 1040STE, ST Book, ST Pad, SLM605, TT, TT030, ABC286, ABC386, LYNX, COMLYNX, PORTFOLIO, XE, 130XE, 65XE, 2600, 7800 Prosystem, and XE Game System are trademarks or registered trademarks of Atari Corporation. GEM, GEM Write and GEM Paint are trademarks or registered trademarks of Digital Research, Inc. IBM, IBM PC, EGA and VGA are trademarks or registered trademarks of International Business Machines, Inc. MS DOS, MS-DOS WINDOWS and GW Basic are registered trademarks of Microsoft Corporation. Centronics is a registered trademark of Centronics Data Computer Corporation. The Motorola 68000 and 68030 are trademarks or registered trademarks of Motorola, Inc. The Intel 80386, 80386SX and 80286 are trademarks or registered trademarks of Intel Corporation. Unix and X-Windows are trademarks or registered trademarks of Bell Laboratories. Tengen and Atari Games are trademarks or registered trademarks of Atari Games Corporation. Nintendo and Sega are trademarks or registered trademarks of Nintendo Company, Ltd. and Sega Corporation.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1. Financial Statements.

The financial statements required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page - 16 hereof.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page - 16 hereof.

3. Exhibits

The exhibits listed under Item 14(c) are filed as part of this annual Report on Form 10-K.

(b) Reports on Form 8-K: None.

(c) Exhibits

Exhibit	Notes	Description
3.1	(1)	Articles of Incorporation of Registrant, as filed May 17, 1984.
3.2	(1)	Certificate of Amendment of Articles of Incorporation as filed July 11, 1984.
3.3	(1)	Certificate of Amendment of Articles of Incorporation, as filed September 12, 1986.
3.4	(1)	Amended and Restated Bylaws of Registrant.
4.1	(1)	Form of Indenture.
10.1	(1)	OEM Software License Agreement with Digital Research (California) Inc., dated August 22, 1984.
10.2	(1)	License Funding and Sale Agreement with Epyx Inc. dated January 5, 1990.
10.3	(2)	Hardware Technology Assignment and License Agreement with Epyx Inc. dated June 3, 1989.
10.4	(2)	Software Production and Distribution License Agreement with Epyx Inc. dated June 3, 1989.
10.5	(2)	Manufacturing Services Agreement with Epyx Inc. dated June 21, 1989.

Exhibit	Notes	Description
10.6	(2)	OEM Purchase and Distribution Agreement with Epyx Inc. dated June 12, 1989.
10.7	(1)	Lease Agreement for 1196 Borregas Avenue, Sunnyvale, California, dated July 1980, with Assignment to Registrant.
10.8	(1)	Industrial Lease Agreement for Warehouse at 360 Caribbean Drive, Sunnyvale, California, Dated May 10, 1986.
10.9	(1)	Industrial Lease Agreement for Warehouse at 390 Caribbean Drive, Sunnyvale, California, Dated December 17, 1986.
10.10	(3)	Agreement and Plan of Merger with The Federated Group, Inc. dated August 28, 1987.
10.11	(2)	Agreement for Sale of Assets dated November 8, 1989 among Silo California Inc., The Federated Group, Inc. and Atari Corporation.
10.12	(1)	Amended 1986 Stock Option Plan.
10.13	(1)	Amended form of Incentive Stock Option Agreement.
10.14	(4)	Amended Stock Option Plan.
10.15	(1)	Memorandum of Agreement among Registrant, Jack Tramiel, Atari Holdings, Inc., Productions et Editions Cinematographiques Francais S.A.R.L., Atari International (UK) Inc., Warner Communications Inc. and certain subsidiaries of Atari Holdings, Inc., dated August 29, 1986.
10.16	(1)	Assets Purchase Agreement with Atari, Inc. and certain subsidiaries and affiliates of Atari, Inc., dated July 1, 1984.
10.17	(1)	Agreement with Atari, Inc. and Jack Tramiel, dated July 1, 1984.
10.18	(1)	Intellectual Property Rights Heads of Agreement with Atari, Inc., dated July 1, 1984.
10.19	(6)	Agreement for Purchase and Sale of Real Estate-Taiwan.
10.20	(6)	General Agreement of Sale - Irish Facility.
22.0	(5)	Subsidiaries of the Company.

(1) Incorporated by reference to the Company's Form S-1 Registration Statement, Registration No. 33-12753, filed with the Commission on July 2, 1987.

(2) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.

(3) Incorporated by reference to the Company's Form 14D-1 and 13D Statement, filed with the Commission on August 28, 1987.

(4) Incorporated by reference to the Company's Proxy Statement relating to its Annual Meeting of Shareholders held on May 16, 1989.

(5) Subsidiaries of the Company (see Page - 37 hereof).

(6) Filed herewith.

ATARI CORPORATION

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES
(Amounts in Thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Balance at End of Period: Current	Balance at End of Period: Non-Current
Year ended December 31, 1989:						
Robert Gleadow	$300(1)	$ -	$ -	$ -	$ 300	$ -
Eli Kenan	276(2)	-	125	-	151	-
August Liguori	152(3)	-	107	-	45	-
Richard Miller	-	145 (6)	-	-	145	-
Gregory A. Pratt	125(4)	-	-	-	125	-
Alwin Stumpf	795(5)	-	-	-	795	-
Paul Welch	115(1)	-	-	-	115	-
Year ended December 31, 1990:						
Samuel W.L. Chin	$ -	$130 (7)	$ -	$ -	$ 130	$ -
Robert Gleadow	300	-	-	-	300	-
Eli Kenan	151	-	134	17	-	-
Steven M. Kawalick	-	290 (7)	-	-	290	-
August Liguori	45	43(7)	3	-	85	-
Richard Miller	145	-	-	-	145	-
Gregory A. Pratt	125	10 (7)	-	-	135	-
Alwin Stumpf	795	-	-	-	795	-
Paul Welch	115	-	-	-	115	-
Year ended December 31, 1991:						
Samuel W.L. Chin	$ 130	$ -	$ 42	$ -	$ 88	$ -
Robert Gleadow	300	-	300(9)	-	-	-
Steven M. Kawalick	290	-	10	-	280	-
August Liguori	85	26(8)	-	-	111	-
Richard Miller	145	-	-	-	145	-
Gregory A. Pratt	135	-	25	-	110	-
Alwin Stumpf	795	-	-	-	795	-
Paul Welch	115	-	115(9)	-	-	-

(1) The secured note, which is payable upon demand, was issued October 1986 and bears interest at 12%.

(2) The secured note, which is payable upon demand, was issued January 1986 and bears interest at 12%.

(3) The secured note, which is payable upon demand, was issued May 1986 and bears interest at 12%.

(4) The secured note, which is payable upon demand, was issued October 1987 and bears interest at 10%.

(5) Two unsecured notes, which are payable upon demand, were issued March 1985 and June 1987 and bear interest at 12% and 10%, respectively. In addition, a receivable, which is payable upon demand, was recorded at various dates throughout 1988 and bears interest at 10%.

(6) Two unsecured notes, which are payable upon demand, were issued during 1989 and bear interest at 10%.

(7) The unsecured notes, which are payable upon demand, were issued August 1990 and bear interest at 10%.

(8) The unsecured note, which is payable upon demand, was issued October 1991 and bears interest at 7%.

(9) The note was cancelled and related stock reacquired by the Company.

SCHEDULE VIII

ATARI CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
(Amounts in Thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year Ended December 31, 1989:				
Allowance for doubtful accounts	$3,236	$1,083	$1,416[1]	$2,903
Accrued sales returns and allowances	19,713	4,797	16,834[2]	7,676
Year Ended December 31, 1990:				
Allowance for doubtful accounts	$2,903	$1,999	$ 78[1]	$4,824
Accrued sales returns and allowances	7,676	3,447	6,209[2]	4,914
Year Ended December 31, 1991:				
Allowance for doubtful accounts	$4,824	$2,366	$3,215[1]	$3,975
Accrued sales returns and allowances	4,914	3,699	5,986[2]	2,627

[1] Amounts written-off, net
[2] Customer returns allowed

ATARI CORPORATION

SHORT-TERM BORROWINGS
(Amounts in Thousands)

Category of Aggregate Short-term Borrowings	Balance at End Period	Weighted Average Interest Rate	Maximum Amount Out-standing During the Period	Average Amount Out-standing During the Period	Weighted Average Interest Rate During the Period
Year ended December 31, 1989:					
Amounts payable to banks	$35,433	9.1%	$40,436	$28,539	7.9%
Year ended December 31, 1990:					
Amounts payable to banks	$28,231	11.2%	$30,659	$25,418	9.7%
Year ended December 31, 1991:					
Amounts payable to banks	$12,500	4.9%	$27,042	$15,324	9.77%

The average amounts outstanding were determined based on an average of the balances for each month with a balance outstanding divided by the total number of months with a balance outstanding.

The weighted average interest rates during the periods were computed by dividing the total of the weighted average interest rate for each month with a balance outstanding by the total number of months with a balance outstanding.

SCHEDULE X

ATARI CORPORATION

SUPPLEMENTARY INCOME STATEMENT INFORMATION
(Amounts in Thousands)

Item	Charged to Costs and Expenses Year Ended December 31, 1989	1990	1991
Advertising expense (included in marketing and distribution expense)	$32,432	$32,833	$20,129

EXHIBIT 22

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction
Atari (Benelux) B.V.	Holland
Atari (Canada) Corp.	Canada
Atari Computers Pty. Ltd.	Australia
Atari France S.A.	France
Atari Computers GmbH	Germany
Tambercombe Ltd.	Hong Kong
Atari Italia S.P.A.	Italy
Atari Israel Ltd.	Israel
Atari (Japan) Corp.	Japan
Atari (Mexico) S.A. de C.V.	Mexico
Atari (Mexico) Fabricante S.A. de C.V.	Mexico
Atari Corp. Sverige AB - (Sweden)	Sweden
Atari (Schweiz) AG	Switzerland
Atari Taiwan Manufacturing Corp.	Taiwan
Atari Corp. (U.K.) Ltd.	England
Liquid Crystal Technology Corp.	Nevada
Atari Computer Corporation	Nevada
Atari Explorer Publications Corp.	New Jersey
Ordenadores Atari S.A.	Spain
Atari Microsystems Corporation	Nevada
The Federated Group, Inc.	Delaware
The Federated Group (Southcentral), Inc.	Texas
Tramel Trading Ltd.	Nevada

SIGNATURE

Pursuant to the requirements of Section 13 of 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be singed on its behalf by the undersigned thereunto duly authorized in the City of Sunnyvale, State of California on the 9th day of April, 1992.

ATARI CORPORATION
(Registrant)

By: /S/ SAM TRAMIEL
Sam Tramiel
President and Chief Executive Officer and Director

/S/ JACK TRAMIEL
Jack Tramiel
Chairman and Director

/S/ SAMUEL W. L. CHIN
Samuel W. L. Chin
Vice President and Director

/S/ MICHAEL ROSENBERG
Michael Rosenberg
Director

/S/ LEE SCHREIBER
Lee Schreiber
Director

/S/ AUGUST J. LIGUORI
August J. Liguori
Vice President - Finance, Chief Financial Officer

CORPORATE DIRECTORY

Directors

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

MICHAEL ROSENBERG
Chairman & Chief Executive Officer–Ross & Roberts, Inc.

LEONARD I. SCHREIBER
Partner–Schreiber & McBride

* AUGUST J. LIGUORI
Vice President–Finance,
Chief Financial Officer,
Treasurer

** SAMUEL W. L. CHIN
Vice President

Officers

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

AUGUST J. LIGUORI
Vice President–Finance,
Chief Financial Officer,
Treasurer

RICHARD MILLER
Vice President–Technology

LEONARD TRAMIEL
Vice President
Operating System Software

STEVEN M. KAWALICK
Vice President–Legal,
Secretary

Corporate Information

TRANSFER AGENT
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016

AUDITORS
Deloitte & Touche
60 South Market Street, Suite 800
San Jose, CA 95113

ANNUAL MEETING
The Annual Meeting of Shareholders will be held on Tuesday, June 2, 1992 at 2:00 p.m. at the Atari Corporate meeting room:

1196 Borregas Avenue
Sunnyvale, CA 94089

FORM 10-K ANNUAL REPORT
A copy of the Company's Annual Report on Form 10-K (exclusive of exhibits) as filed with the Securities and Exchange Commission is included in this report.

* Nominated for election to be held on June 2, 1992

** Will not stand for re-election

As we previously stated, for the last few years we have been involved in a lawsuit against Nintendo, alleging violations of anti-trust and monopolistic practices. The trial finally commenced in February 1992, and continued until April 27, 1992. The jury could not decide two of the three claims so the court granted a mistrial on those two claims. Considerable effort, management time, and money have been involved in the presentation of our case. As post trial-motions are still being considered, we are unable to comment further.

A great deal of attention was focused on research and development throughout 1991. In our opinion, this research will result in the leapfrog development of a highly advanced family of personal computers. These new systems are compatible with our flagship line of ST computers and will use TOS (The Operating System) which has been refined for this family.

We have combined advanced technology in the areas of video, audio, speed and versatility, in order to have a line of computers that will offer consumers exceptional power at very competitive prices. We expect to reap the benefits of this design for years to come. On the video game front we are developing an advanced console which will have superb video and audio capabilities. This product is now being debugged and is code named "Jaguar." I am very excited about this platform, and I feel it will mature into a very successful video game system.

The financial statements which follow are not our usual full color annual report. Instead, you will find a reproduction of our Form 10-K. I will apologize for its frugal appearance, but not for the money we have saved.

Atari is building for the future. Our marketplace is worldwide, and I believe that the many economies throughout this extensive arena are recovering from the recessions that have continued to plague sales efforts. With the inception of our advanced products on the horizon, we are positioning ourselves to aggressively increase our global presence.

1991 was a challenging year. Because of the changes, progress, and developments that we accomplished, I am very optimistic about Atari's present strength and its future in the world marketplace. As I look forward to the year ahead, I would like to thank our shareholders, suppliers, employees, customers and end-users for their continued support.

Sincerely,

Sam Tramiel
President

Atari Corporation
Sunnyvale, CA 94089-1302